

April 9, 2007

To: Audit and Finance Committee

From: Gary Ray, City Auditor *AK*

Subject: Report of the 2006 Minimum Accounting Standards (MAS)
External Review performed for the Mesa Municipal Court

Attached is our report for the MAS External Review performed at the Mesa Municipal Court for the period of 1/01/06 through 12/31/06. The first two pages are the Independent Accountant's Report On Applying Agreed-Upon Procedures. The additional pages are Corrective Action Plans detailing review observations, comments, recommendations and dispositions.

This report was discussed with Paul Thomas, Court Administrator, Lenny Montanaro, Deputy Court Administrator, Kathy Pace, City Controller, and the Court financial leadership staff. We have attached the responses to the report by the Mesa Municipal Court and the City of Mesa Accounting Division. We would like to thank the personnel of the Municipal Court and the Accounting Division for their cooperation and professionalism throughout our review.

Copies of this report have been sent to the Arizona Supreme Court and the Maricopa County Superior Court, as required by MAS directives. If you have any questions, please call me at 3210, or Jerry Faccone at 2403.

c: Matt Tafoya, Presiding City Magistrate
Paul Thomas, Court Administrator
Lenny Montanaro, Deputy Court Administrator
Annie Crossland, Court Supervisor
Gloria Holland, Court Supervisor
Kathy Pace, Controller

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures as set forth in Part III of the Arizona Supreme Court's Minimum Accounting Standards (MAS) issued by the Arizona Supreme Court in November 1997, which were agreed to by the City of Mesa, Arizona, Municipal Court (the Court) and the Arizona Supreme Court, solely to assist the specified parties in evaluating the Court's assertion about the Court's compliance with MAS and about the effectiveness of the Court's internal control over compliance with the aforementioned compliance requirements as of December 31, 2006. The Court is responsible for those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures included in Part III of the MAS either for the purpose for which this report has been requested or for any other purpose.

Our findings are summarized below, by applicable section of Part III of the MAS:

Change Fund Section

Procedure 1. – Count the cashier cash daily and compare to the amount of the authorized change fund.

Results of the above procedure – The cash assigned to the cashiers for making change is not reconciled on a daily basis. Testing revealed that the cash assigned to one cashier was short. The shortage should have been revealed through Court reconciliation procedures.

Disposition – The cashiers currently perform a daily reconciliation of their posted revenue receipts. A daily reconciliation of the change has been added to this process. The Court financial team will verify the change reconciliation.

Cash Receipts/Reporting Section

Procedure 3.a. – Trace and agree cash receipts by distribution type to the applicable funds transmittal reports.

Results of the above procedure – The Mesa Police Department issues citations to motor vehicle owners who fail to register their vehicles for the first time in the State of Arizona.

The City failed to remit the State's share of revenue from these citations into the Arizona Highway User Revenue Fund through the State Remittance Report for surcharges collected at the Court. The failure to forward these monies was an oversight, as all other revenues and surcharges due to the State of Arizona were properly remitted.

Disposition – The City remitted the past due Arizona Highway User Revenues with the January 2007 State Remittance Report and thereafter will remit the monies accrued each month.

Cash Disbursements Section

Procedure 1.a. – Select a random sample of disbursements from the check register and trace and agree the date issued, name of payee, check number, disbursement type and amount to the case financial record.

Results of the above procedure – The City of Mesa Accounting Division prepares check registers that list checks paid for Court bond refunds, restitution payments and overpayments. Copies of the registers are provided to the Court where employees input check disbursement information into the individual case records. Due to miscommunication between the Court and the Accounting Division, the Court did not receive copies of the registers for a portion of 2006, resulting in the case records not being updated with the check numbers and check dates.

Disposition – The Court has received all of the outstanding check registers and will input the applicable check disbursement information into the case records.

Our examination does not provide a legal determination on the Court's compliance with MAS. The terms of our engagement are such that we have no obligation to update this letter because of events and transactions occurring subsequent to the date as of which our procedures were performed.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the Court's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of the City of Mesa and the parties named in the first paragraph, and is not intended to be or should not be used by anyone who has not agreed to the procedures and taken responsibility for the sufficiency of the procedures. This letter relates only to the information specified above and does not extend to any financial statements of the Court or the City of Mesa.

Corrective Action Plan 1

Audit Subject: Mesa Municipal Court MAS 2006 External Review

Title:	Change Fund
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Observations: Change fund was not being reconciled daily.

Comments: MAS 4.04 requires that the change fund be reconciled on a daily basis. The Mesa Court change fund totals \$3,000, consisting of \$700 kept in the Court safe, and \$2,300 assigned to the cashiers, each being issued \$100. The safe funds are reconciled daily but the cashier change amounts are not. Testing revealed that the change for one cashier totaled \$81, a shortage of \$19. The shortage should have been revealed through reconciliation procedures. While the cashier should have reported the shortage, proper control involves procedures designed to detect discrepancies.

Recommendations: Written procedures should be established to require the daily reconciliation of the cashier change. The change should be reconciled by the cashiers at the end of their shifts and verified by the Court financial team.

Disposition: The cashiers currently perform a daily electronic reconciliation of their posted revenue receipts. A daily reconciliation of the change has been added to this process. The Court financial team will verify the change reconciliation.

Corrective Action Plan 2

Audit Subject: Mesa Municipal Court MAS 2006 External Review

Title: Highway User Revenue Fund

Observations: Amounts collected and due to the State of Arizona Highway User Revenue Fund were not remitted.

Comments: Per ARS 28-2533, the Mesa Police Department issues citations to owners of motor vehicles, registered in another state, territory or foreign country, who knowingly fail to register their vehicles for the first time in this state as required by law. The statute allows the law enforcement agency that cites the owner for such a violation to retain twenty percent of the civil penalty. The Mesa Municipal Court is required to deposit, pursuant to ARS 35-146 and 35-147, any remaining monies collected in the Arizona Highway User Revenue Fund. Since January 2004, these monies due to the State of Arizona have been accruing but, through oversight, have not been remitted by the City, as required by MAS 2.02h and 12.01. As of December 31, 2006, a total of \$9,891.62 has been accrued and retained in error.

Recommendations: The City should immediately remit the accrued revenues to the State of Arizona and, in the future, the monthly amount due should be remitted with the State Remittance Report for surcharges collected at the Mesa Court.
The revenue accountant should regularly review the accrual accounts for monies not remitted, and communication between the Mesa Court and the City of Mesa Accounting Division should be improved.

Disposition: The City Accounting Division remitted the past due Arizona Highway User Revenues with the January 2007 State Remittance Report and will begin to remit the monies accrued each month. Accounting Division personnel will periodically review the accrual accounts for monies not reported and distributed to the appropriate agencies.

Corrective Action Plan 3

Audit Subject: Mesa Municipal Court MAS 2006 External Review

Title: Court Case Records

Observations: Court case records were not being updated with check disbursement information.

Comments: City of Mesa Accounting Division personnel prepare check transmittals that list checks paid for court bond refunds, restitution payments and overpayments. Copies of the transmittals are sent to the Mesa Court where employees input check numbers and check dates into the individual case records to satisfy MAS 2.02c and 7.05. Due to miscommunication between the Court and the Accounting Division, the Court did not receive copies of check transmittals from April through December 2006. Receipt of the transmittals has resumed and the check information is once again being electronically logged into the case management system.

Recommendations: The Court case records should be updated for check disbursement information from April through December 2006.
In the future, communication between the Mesa Court and the City of Mesa Accounting Division should be improved.

Disposition: The Mesa Court has received all check transmittals from April through December 2006 and will input the check disbursement information into the case records. Receipt of the check transmittals is now included on the Court's weekly checklist.



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Mesa Municipal Court

J. Matias Tafoya
Presiding Judge

Paul E. Thomas
Court Administrator

Date: March 16, 2007

To: Gary Ray, Acting City Auditor

From: Paul Thomas, Court Administrator

Subject: 2006 MAS External Review

Please let me express my appreciation for your assistance in completing the court's 3-year external review required by the Arizona Supreme Court. Mr. Faccone spent significant time and effort on this review and was very thorough in my opinion. His pleasant but very professional approach made him a pleasure to work with.

The court agrees with the findings of the report and has taken steps to remedy the findings within its purview. It should be noted that the court's duty with respect to the finding concerning deposits and distribution of collected state surcharges, is both determined and limited by ARS § 12-116.01.G.

April 6, 2007

TO: Gary Ray – City Auditor

FROM: Kathy Pace - Controller



SUBJECT: 2006 MAS External Review Draft Report

I have reviewed the 2006 MAS External Review Draft Report issued by your office and agree with all findings and recommendations related to the Accounting Division. All recommendations have been implemented.

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KP-4767